

TOWNSHIP OF AETNA  
Mecosta County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Aetna	<b>County</b> Mecosta
<b>Audit Date</b> March 31, 2007	<b>Opinion Date</b> May 29, 2007	<b>Date Accountant Report Submitted to State:</b> June 4, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

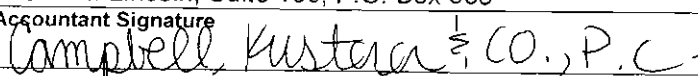
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> 			

TOWNSHIP OF AETNA  
Mecosta County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

May 29, 2007

To the Township Board  
Township of Aetna  
Mecosta County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Aetna, Mecosta County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Aetna's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Aetna, Mecosta County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF AETNA  
Mecosta County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Aetna covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$514,101.28 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$239,295.89 from governmental activities. Governmental activities had a \$73,779.63 increase in net assets with road improvements of \$40,011.44 and \$9,044.98 in depreciation expense.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Current Tax Collection Fund.

TOWNSHIP OF AETNA  
Mecosta County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we paved 200<sup>th</sup> Avenue between 4 mile and 5 mile for paving at a cost of \$40,011.44.

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services with total expenditures of \$156,471.28.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 52% of our income. We continue to grow at a 3% rate in taxable values with little demand for infrastructure, except good roads and water, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at P.O. Box 228, Morley, Michigan 49336.

TOWNSHIP OF AETNA  
Mecosta County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	189 280 59
Accounts receivable	39 241 40
Taxes receivable	<u>8 855 18</u>
Total Current Assets	<u>237 377 17</u>
NON-CURRENT ASSETS:	
Capital Assets	319 542 49
Less: Accumulated Depreciation	<u>(42 818 38)</u>
Total Non-current Assets	<u>276 724 11</u>
TOTAL ASSETS	<u>514 101 28</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	276 724 11
Unrestricted	<u>237 377 17</u>
Total Net Assets	<u>514 101 28</u>
TOTAL LIABILITIES AND NET ASSETS	<u>514 101 28</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AETNA  
Mecosta County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

	<u>Program Revenue</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	19 366 52	-	(19 366 52)
General government	78 336 35	8 563 35	(69 773 00)
Public safety	18 469 45	-	(18 469 45)
Public works	46 843 94	4 845 00	(41 998 94)
Culture and recreation	<u>2 500 00</u>	<u>-</u>	<u>(2 500 00)</u>
Total Governmental Activities	<u>165 516 26</u>	<u>13 408 35</u>	<u>(152 107 91)</u>
General Revenues:			
Property taxes			50 615 53
State revenue sharing			122 363 13
Interest			5 705 89
Miscellaneous			<u>47 202 99</u>
Total General Revenues			<u>225 887 54</u>
Change in net assets			73 779 63
Net assets, beginning of year			<u>440 321 65</u>
Net Assets, End of Year			<u>514 101 28</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF AETNA  
Mecosta County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2007

<u>Assets</u>	<u>General</u>
Cash in bank	187 705 37
Accounts receivable	39 241 40
Taxes receivable	8 855 18
Due from other funds	<u>1 575 22</u>
Total Assets	<u>237 377 17</u>
<u>Liabilities and Fund Equity</u>	
Liabilities	<u>-</u>
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>237 377 17</u>
Total fund equity	<u>237 377 17</u>
Total Liabilities and Fund Equity	<u>237 377 17</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AETNA  
Mecosta County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	237 377 17
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	319 542 49
Accumulated depreciation	<u>(42 818 38)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>514 101 28</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AETNA  
Mecosta County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2007

	<u>General</u>
Revenues:	
Property taxes	50 615 53
State revenue sharing	122 363 13
Charges for services:	
Cemetery	5 451 80
Hall rental	3 111 55
Interest	5 705 89
Special assessments	4 845 00
Miscellaneous	<u>47 202 99</u>
Total revenues	<u>239 295 89</u>
Expenditures:	
Legislative:	
Township Board	19 366 52
General government:	
Supervisor	6 317 00
Elections	3 517 67
Assessor	20 240 94
Clerk	13 457 11
Board of Review	1 179 83
Treasurer	11 598 86
Building and grounds	8 175 45
Cemetery	9 861 71
Public safety:	
Fire protection	15 390 75
Public works:	
Highways and streets	40 011 44
Weed control	4 854 00
Culture and recreation:	
Library	<u>2 500 00</u>
Total expenditures	<u>156 471 28</u>
Excess of revenues over expenditures	82 824 61
Fund balance, April 1	<u>154 552 56</u>
Fund Balance, March 31	<u><u>237 377 17</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AETNA  
Mecosta County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 82 824 61

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(9 044 98)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>73 779 63</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AETNA  
Mecosta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Aetna, Mecosta County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Aetna. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF AETNA  
Mecosta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 1.229 mills, and the taxable value was \$41,204,476.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF AETNA  
Mecosta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-50 years
Furniture and equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.

TOWNSHIP OF AETNA  
Mecosta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>189,280.59</u>

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	192,929.18
Uninsured and Uncollateralized	-
Total Deposits	<u>192,929.18</u>

The Township of Aetna did not have any investments as of March 31, 2007.



TOWNSHIP OF AETNA  
Mecosta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/06	<u>Additions</u>	<u>Deletions</u>	Balance 3/31/07
<u>Governmental Activities:</u>				
Land	68 185 00	-	-	68 185 00
Buildings	208 125 61	-	-	208 125 61
Equipment	<u>44 826 88</u>	<u>-</u>	<u>(1 595 00)</u>	<u>43 231 88</u>
Total	321 137 49	-	(1 595 00)	319 542 49
Accumulated Depreciation	<u>(35 368 40)</u>	<u>(9 044 98)</u>	<u>1 595 00</u>	<u>(42 818 38)</u>
Net Capital Assets	<u>285 769 06</u>	<u>(9 044 98)</u>	<u>-</u>	<u>276 724 11</u>

**Note 5 – Pension Plan**

The Township has a defined contribution pension plan covering all elected Township officials. The Township contributes 15% of each covered employee's wages to the plan. The Township's total contribution to the plan for the year ended March 31, 2007, was \$7,110.09.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Township of Aetna does not issue building permits. Building permits are issued by the County of Mecosta.

**Note 9 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>1 575 22</u>	Current Tax Collection	<u>1 575 22</u>

TOWNSHIP OF AETNA  
Mecosta County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 10 – Budget Variances

For the fiscal year ended March 31, 2007, Township expenditures exceeded the budgeted amounts in one activity as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Elections	3 500 00	3 517 67	17 67

TOWNSHIP OF AETNA  
Mecosta County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	54 500 00	54 500 00	50 615 53	(3 884 47)
State revenue sharing	129 800 00	129 800 00	122 363 13	(7 436 87)
Charges for services:				
Cemetery	6 000 00	6 000 00	5 451 80	(548 20)
Hall rental	4 500 00	4 500 00	3 111 55	(1 388 45)
Interest	5 000 00	5 000 00	5 705 89	705 89
Special assessments	1 000 00	1 000 00	4 845 00	3 845 00
Miscellaneous	3 775 00	5 775 00	47 202 99	41 427 99
Total revenues	<u>204 575 00</u>	<u>206 575 00</u>	<u>239 295 89</u>	<u>32 720 89</u>
Expenditures:				
Legislative:				
Township Board	28 675 00	28 675 00	19 366 52	(9 308 48)
General government:				
Supervisor	6 500 00	6 500 00	6 317 00	(183 00)
Elections	5 000 00	3 500 00	3 517 67	17 67
Assessor	21 000 00	21 000 00	20 240 94	(759 06)
Clerk	14 000 00	14 000 00	13 457 11	(542 89)
Board of Review	1 200 00	1 200 00	1 179 83	(20 17)
Treasurer	13 000 00	13 000 00	11 598 86	(1 401 14)
Building and grounds	57 000 00	57 000 00	8 175 45	(48 824 55)
Cemetery	10 000 00	10 000 00	9 861 71	(138 29)
Public safety:				
Fire protection	20 500 00	23 000 00	15 390 75	(7 609 25)
Public works:				
Highways and streets	50 000 00	49 000 00	40 011 44	(8 988 56)
Weed control	5 000 00	5 000 00	4 854 00	(146 00)
Culture and recreation:				
Library	2 500 00	2 500 00	2 500 00	-
Total expenditures	<u>234 375 00</u>	<u>234 375 00</u>	<u>156 471 28</u>	<u>(77 903 72)</u>
Excess (deficiency) of revenues over expenditures	(29 800 00)	(27 800 00)	82 824 61	110 624 61
Fund balance, April 1	<u>152 892 73</u>	<u>152 892 73</u>	<u>154 552 56</u>	<u>1 659 83</u>
Fund Balance, March 31	<u>123 092 73</u>	<u>125 092 73</u>	<u>237 377 17</u>	<u>112 284 44</u>

TOWNSHIP OF AETNA  
Mecosta County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2007

Township Board:	
Wages	2 288 00
Payroll taxes	4 095 68
Retirement	7 110 09
Insurance	4 445 00
Miscellaneous	1 427 75
	<u>19 366 52</u>
Supervisor:	
Wages	6 240 00
Supplies	77 00
	<u>6 317 00</u>
Elections:	
Wages	2 299 26
Miscellaneous	1 218 41
	<u>3 517 67</u>
Assessor:	
Wages	14 560 00
Supplies	1 948 05
Miscellaneous	3 732 89
	<u>20 240 94</u>
Clerk:	
Wages	10 088 00
Deputy wages	875 00
Miscellaneous	2 494 11
	<u>13 457 11</u>
Board of Review:	
Wages and supplies	1 179 83
	<u>1 179 83</u>
Treasurer:	
Wages	10 048 00
Deputy wages	92 00
Miscellaneous	1 458 86
	<u>11 598 86</u>
Building and grounds:	
Wages	1 769 72
Utilities	3 461 07
Telephone	946 73
Miscellaneous	1 997 93
	<u>8 175 45</u>
Cemetery:	
Wages	7 978 77
Repairs and maintenance	833 66
Utilities	533 61
Miscellaneous	515 67
	<u>9 861 71</u>
Fire protection:	
Contracted services	10 800 00
Insurance	3 965 00
Repairs and maintenance	510 00
Supplies	115 75
	<u>15 390 75</u>

TOWNSHIP OF AETNA  
Mecosta County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2007

Highways and streets:	
Repairs and maintenance	<u>40 011 44</u>
Weed control:	
Contracted services	<u>4 854 00</u>
Library	<u>2 500 00</u>
Total Expenditures	<u>156 471 28</u>

TOWNSHIP OF AETNA  
Mecosta County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>40 558 46</u>	<u>1 118 310 59</u>	<u>1 157 293 83</u>	<u>1 575 22</u>
<u>Liabilities</u>				
Due to other funds	40 558 46	51 971 20	90 954 44	1 575 22
Due to other units	<u>-</u>	<u>1 066 339 39</u>	<u>1 066 339 39</u>	<u>-</u>
Total Liabilities	<u>40 558 46</u>	<u>1 118 310 59</u>	<u>1 157 293 83</u>	<u>1 575 22</u>

TOWNSHIP OF AETNA  
Mecosta County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2007

Cash on hand and in bank – beginning of year	<u>40 558 46</u>
Cash receipts:	
Property taxes	1 116 358 83
Interest	1 591 76
Animal licenses	<u>360 00</u>
Total cash receipts	<u>1 118 310 59</u>
Total beginning balance and cash receipts	<u>1 158 869 05</u>
Cash disbursements:	
Township General Fund	90 954 44
Mecosta County	481 055 63
Mecosta Osceola Intermediate School District	139 888 85
Morley Stanwood Community Schools	444 381 73
Refunds	<u>1 013 18</u>
Total cash disbursements	<u>1 157 293 83</u>
Cash on Hand and in Bank – End of Year	<u><u>1 575 22</u></u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 29, 2007

To the Township Board  
Township of Aetna  
Mecosta County, Michigan

We have audited the financial statements of the Township of Aetna for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Aetna in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."



To the Township Board  
Township of Aetna  
Mecosta County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

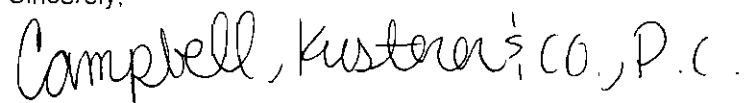
The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants